Committee II - Expansion of Trade

TRADE IN AGRICULTURAL PRODUCTS

UNITED KINGDOM

Synopsis of Non-Tariff Measures for the Protection of Agriculture or in Support of Incomes of Agricultural Producers furnished by the Government of the United Kingdom

I.

NATIONAL AGRICULTURAL POLICIES

A. General Objectives

1. The general policy objective, as stated in the Agriculture Act, 1947, is to promote and maintain "a stable and efficient agricultural industry capable of producing such part of the nation's food and other agricultural produce as in the national interest it is desirable to produce in the United Kingdom, and of producing it at minimum prices consistently with proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested in the industry".

2. In pursuance of this general aim the Agriculture Act, 1957, inter alia, empowers the Government to provide guaranteed prices for most of the major agricultural products. The Act also provides the industry with effective long-term minimum guarantees of support which, while giving producers a sound basis for the necessary forward planning and confidence in the future, are sufficiently flexible to allow due account to be taken of wider considerations affecting other sectors of the economy and national economic policy as a whole.

3. In addition to guaranteed prices further assistance to farmers and landowners is given by the Government in the form of various production grants and subsidies, designed to encourage improvements in farming efficiency. A small part of this assistance is devoted to improving the economic position of certain groups of farmers (e.g. in Northern Ireland and the Scottish islands, and mountains and hilly districts) where production conditions are particularly difficult and farms are generally remote from the main consumer markets. The present trend however is towards more general measures of assistance with less emphasis on regional differentiation.
4. In February/March each year the Government, in consultation with producers' representatives, reviews the economic condition and prospects of the agricultural industry (see paragraph 8 of Section B below). In a White Paper published after each Annual Review the Government sets out its production and guarantee policy and gives guidance to the industry, in general terms, on the desirable pattern of production of the main commodities. The Government does not, however, set specific commodity production objectives, nor has it power to direct farmers to pursue particular lines of production.

5. The 1959 Annual Review White Paper reaffirmed that the main objective of the Government's production policy continued to be that production should be more economic. As the White Paper said, "The aim must still be a steady improvement in the competitive position of the industry and in its adaptation to the needs of the market. On present prospects no further expansion of gross output is required. Any further expansion of net output, if it is to be of real value, must be achieved through reducing unit costs by means of improved techniques and better farm management. The importance that the Government attaches to better management of the farm as a whole has been emphasized during the past year in the new measures of special assistance for small farmers.

6. The 1959 White Paper said that within these general objectives the particular aims should be as follows:

   (i) maintenance of the arable acreage at roughly its present size, but with less emphasis on wheat and rye than on barley and other feed crops;

   (ii) greater reliance on home-grown feed for livestock;

   (iii) production of more beef of the quality wanted by the market;

   (iv) for lamb the primary aim in view of market prospects is to get down costs;

   (v) continued reduction in the costs of production of pig meat, and further efforts to satisfy market requirements;

   (vi) production of less eggs, and of less milk than is at present in prospect.

7. The following are the figures of farming net income in the United Kingdom for the past three years on both an "actual" and a "normal weather" basis:

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Adjusted to normal weather conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956/57</td>
<td>£319 3/4 million</td>
<td>£339 million</td>
</tr>
<tr>
<td>1957/58</td>
<td>£354 1/2 million</td>
<td>£355 million</td>
</tr>
<tr>
<td>1958/59</td>
<td>£327 million</td>
<td>£360 3/4 million</td>
</tr>
<tr>
<td>(forecast)</td>
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</tbody>
</table>
B. Special Measures

8. The Agriculture Act, 1957, empowers the Government to provide price guarantees for fat cattle, fat sheep and lambs, fat pigs, wool, milk, eggs, wheat, barley, oats, rye and potatoes; the Sugar Act, 1956, makes similar provisions in respect of sugar beet. There are no price guarantees for horticultural products other than maincrop potatoes; the tariff is the main protection for the horticultural industry. The levels of the guaranteed prices and of most of the production grants relating to occupiers’ responsibilities are determined by the Government each year in the light of the Annual Review of the economic condition and prospects of the agricultural industry and of other relevant factors. In the event of any sudden and substantial change during any year in the economic condition of the agricultural industry the Government is empowered to hold a Special Review.

9. An important provision in the Agriculture Act, 1957, is the assurance that (i) at any Annual Review the total value of the guarantees, including production grants (together estimated at £1,228 million in 1958/59), will be maintained at not less than the amount resulting from taking 97.5 per cent of the total value of the guarantees in the preceding year and adding cost increases or subtracting cost decreases that have occurred on review commodities since the last Annual Review, (ii) the guaranteed price of each commodity will be maintained at not less that 96 per cent of the guaranteed price for the previous year. In the case of livestock and livestock products there is an additional provision that in any period of three years reductions in the guaranteed price for a particular commodity will not together exceed 9 per cent. These "long-term" assurances are designed to give greater stability and confidence to the agricultural industry and to facilitate forward planning, while leaving reasonable scope for all relevant factors to be taken into account each year in determining the level of support to the industry.

10. The Government’s general policy is to avoid direct intervention in the market, and to use instead a system of price guarantees (mainly by deficiency payments - see Section II) which leaves the ordinary channels of trade to operate freely. Producers' marketing boards have been set up for milk, eggs, wool and potatoes, and are used as the instruments for implementing the price guarantees. There are also producers' marketing boards, but no Government price guarantees, for hops and for tomatoes and cucumbers. The Hops Marketing Board allots annual production quotas to growers, and buys hops at prices fixed in agreement with the Brewers' Society. The Tomato and Cucumber Marketing Board has no trading powers.

II.

SUBSIDIES

(Including all forms of income and price support)

11. Support for agriculture in the United Kingdom takes the form primarily of guaranteed prices for the principal agricultural products, supplemented by various forms of production grants and subsidies. There are no direct
export subsidies for agricultural products and, except for milk (and the special case of sugar beet), the home-market is left free to find its own price levels. The estimated total cost of agricultural support i.e. price guarantees and production grants (but excluding the subsidy for fisheries) is £247.5 million for the 1958/59 fiscal year. Comparable figures for the two previous years were £284.1 million for 1957/58 and £239.2 million for 1956/57.

12. Price guarantees for cereals (wheat, rye, barley, oats and mixed corn), fatstock (cattle, sheep and lambs and pigs), milk, eggs and wool are implemented by a system of deficiency payments, under which the Government pays the deficit, if any, between the average market price realized and the guaranteed price ("standard price").

13. Deficiency payments for wheat and rye are made in respect of the tonnage sold through authorized merchants; for wheat seasonal guaranteed prices, on a rising scale, are prescribed for five separate accounting periods. Payments for oats and barley are calculated, by reference to average yields, and paid on an acreage basis.

14. Guarantee payments for fatstock are made weekly on individual certified sales. For fat pigs there is one standard price throughout the year (which is automatically adjusted according to a prescribed formula for changes in feed costs), but for fat cattle and sheep, to take account of seasonal marketings and costs of production, the standard price for the year is broken down into a seasonal scale of weekly standard prices. Cattle and pigs reaching certain prescribed quality standards receive a higher rate of payment than other eligible animals.

15. For milk, payments are made to the five Milk Marketing Boards (each of which covers a different part of the country) to meet any deficit between their net commercial returns (which, in the case of liquid milk, are governed by the maximum retail prices prescribed by the Government)1 and their entitlement under the guaranteed prices for each of the five Board areas. In each area the guaranteed price applies to a limited quantity ("standard quantity") of milk. For the remainder there is a "lower guaranteed price", which is an estimate of the price that the Board will receive for milk sold for manufacture in the coming year. Associated with the "lower guaranteed price" there is a profit and loss sharing arrangement which applies to all milk in excess of a certain proportion of the standard quantity.

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1 Liquid milk is made available to expectant mothers and young children at a reduced rate; in addition there is a scheme for milk distribution in schools. Government subsidies for these purposes amounted to an estimated £39 million in 1958/59.
16. All fleeces wool produced in the United Kingdom must be sold to the Wool Marketing Board at fixed prices scheduled by the Board. The Board sells the wool by auction. 90 per cent of receipts in excess of the guaranteed price are paid into a Stabilization Fund; in any year when receipts are less than the amount due under the guarantee the deficit is met from the Stabilization Fund or, if the balance in the Fund is inadequate, by the Exchequer. If the Fund thus becomes indebted to the Exchequer, the whole of any subsequent surplus is payable to the Government until the debt has been discharged.

17. With a few exceptions, all hen eggs produced in the United Kingdom must be sold to the Egg Marketing Board at prices prescribed by the Board. Flat rates of subsidy are paid by the Government to the Board representing the difference between the guaranteed price and the average price which it is estimated the Board will realize on its sales in the coming year (April-March). These payments are subject to later adjustment if the actual realized price varies from the estimated price for the year by more than twopence a dozen. The guaranteed price is automatically adjusted throughout the year, according to a prescribed formula, for changes in feed costs.

18. A new form of guarantee for potatoes, effective for the 1959 crop, will substitute, for the purchase of surplus potatoes on Government account, arrangements which will assure a minimum return to the industry as a whole, related to the requirements of potatoes for human consumption. In respect of these potatoes the Government will pay to the Potato Marketing Board in Great Britain any deficiency between the guaranteed price and the average realized wholesale price each year (August-July). In Northern Ireland, where there is no Potato Marketing Board, the Ministry of Agriculture for Northern Ireland will administer the guarantee arrangements.

19. The British Sugar Corporation buy the whole of the sugar beet crop produced from a specified acreage and processes it at factories in Great Britain. The maximum acreage for which the Corporation may enter into contracts, and the price (relation to sugar content) which it shall pay to producers, are determined by the Government at each Annual Review. Any deficit in the Corporation's operations is met by the Government - controlled Sugar Board out of a surcharge levied on all imported sugar, molasses and the sugar content of manufactured goods (see paragraph 25 in Part IV below).

20. In addition to the guaranteed prices the Government provides a wide variety of production grants and subsidies (at a total estimated cost for 1958/59 of £84 million) in respect of the purchase of fertilizers and lime, the construction of silos, the ploughing-up of grassland not cultivated for more than three years, bracken eradication, field drainage and water supplies, the eradication of cattle tuberculosis, rabbit clearance societies, improvement of livestock breeding, the production of beef calves, hill cows and hill sheep, and the improvement of livestock rearing holdings in upland areas. Grants towards the cost of long-term improvements to agricultural land and
for promoting the modernization of permanent fixed equipment were authorized by the Agriculture Act, 1957; £50 million may be allocated for this purpose in the ten years ending 31 August 1967.

21. Schemes of Assistance to Small Farmers have been introduced in 1959, under which small farm businesses falling within certain defined standards of acreage and size of enterprise may be eligible for grants, spread over a three-five year period, towards the cost of approved schemes of improvement. The cost of the new schemes in the first full year is estimated at about £9 million, but will be partly offset by a reduction in assistance to marginal producers which has been costing about £3 million a year.

22. The Agriculture Act, 1957, authorized the payment of an annual grant to Northern Ireland to cover the cost of special schemes of assistance to agricultural producers in compensation for their remoteness from the main markets on the mainland of Great Britain. The annual grants are limited to £1 million for each of the five years 1957/58 to 1961/62, except that in each year any unexpended balance of grant may be added to the grants payable in subsequent years. For similar reasons, grants amounting to about £25,000 a year are paid to producers in the Scottish Islands.

23. Subsidies are also paid to catchers of white fish and herrings. These take the form of direct subsidies and also of grants and loans for the building re-equipment and reconditioning of fishing vessels. The direct subsidies are paid by reference to the weight of catches in the case of small vessels and the number of days spent at sea for bigger vessels. Expenditure on direct subsidies in 1957/58 was £2.7 million for white fish and £0.35 million for herrings; and £1.2 million for grants and £3.6 million for loans to both sides of the industry. The white fish subsidy is a temporary measure to help the industry during the period when it is re-equiping with modern motor vessels and to encourage the provision of a continuous and plentiful supply of white fish. The Herring Subsidy is designed to attract vessels back from white fishing and to prevent a further decline in the herring fleet. In both cases the aim is to assist the industry to become self-supporting.

III.

MIXING REGULATIONS

24. No such regulations are in force in the United Kingdom.

IV.

STATE-TRADING OPERATIONS

(Including private enterprises with special privileges and/or responsibilities)

25. The Sugar Board, set up under the Sugar Act, 1956, has the statutory duty to buy at the negotiated price the sugar which the United Kingdom Government has contracted to purchase under the Commonwealth Sugar Agreement.
The Board re-sells the sugar in the country of origin, at the prevailing commercial price, to refiners and other traders. The British Sugar Corporation is the sole purchaser of home-grown sugar beet for processing (see paragraph 19 above). The Sugar Board makes a deficiency payment to the Corporation to cover any deficit incurred in buying sugar beet at the guaranteed price and selling its produce on the market. The Board recovers the amount of any such deficiency payment, and of any deficit which it incurs on its own transactions in sugar, by means of a levy on all sugar and molasses (including the sugar content of manufactured goods) entering the United Kingdom internal market. Any surplus accruing to the Board from its own or the Corporation's operations is distributed by means of payments in respect of sugar and molasses becoming liable to sugar duty.

V.

IMPORT RESTRICTIONS

26. The United Kingdom Government, following a policy of progressive liberalization, now maintains restrictions only as indicated in the following paragraphs. These restrictions maintained, broadly speaking, to safeguard the balance of payments, will be relaxed as and when circumstances permit in accordance with the United Kingdom's international obligations.

27. The restrictions at present in force are:

A. Restrictions applied to products for which support measures are in force

<table>
<thead>
<tr>
<th>Product</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatstock</td>
<td>Imports of all carcase meat and live cattle from the dollar area are restricted.</td>
</tr>
<tr>
<td>cattle, sheep and lambs, pugs</td>
<td></td>
</tr>
<tr>
<td>White fish</td>
<td>Imports from the dollar area and eastern area other than Poland are restricted.</td>
</tr>
<tr>
<td>Herrings</td>
<td>Imports from the dollar area and eastern area other than Poland are restricted.</td>
</tr>
<tr>
<td>Milk, fresh, frozen, evaporated, condensed, dried or otherwise preserved</td>
<td>Imports from sources other than the sterling area are restricted. Quotas to a total value of £1,177,000 have been fixed for imports from non-dollar supplying countries by negotiation with those countries.</td>
</tr>
</tbody>
</table>

1 There are no restrictions on cereals (wheat, rye, barley, oats).
Potatoes, other than sweet and new

Imports from all sources are subject to licence. Imports are allowed without restriction during periods of shortage and this has happened in three out of the last four years.

B. Licensing arrangements for commodities for which there are no support measures

(1) Commodities subject to quantitative restriction from the relaxation area

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar</td>
<td>Imports from countries participating in the International Sugar Agreement are permitted without quantitative limit under Open Individual Licence.</td>
</tr>
<tr>
<td></td>
<td>Imports from countries not participating in the agreement are restricted, in accordance with the terms of the agreement, when the world price is 4 cents per lb. f.a.s. Cuba or less. The 1959 quota is 68,970 long tons.</td>
</tr>
<tr>
<td>Fresh apples</td>
<td>Sterling area Open General Licence. Global quota for dollar and relaxation area countries (except Yugoslavia and Argentina) of 1.5 m. cwt. for the period 1 January 1959 - 31 December 1959. Bilateral quotas are available for Yugoslavia, Argentina and certain other countries.</td>
</tr>
<tr>
<td>Fresh pears</td>
<td>Sterling area Open General Licence. Global quota for dollar and relaxation area countries (except Yugoslavia and Argentina) of 480,000 cwt. for the period 1 July 1959 - 30 June 1960. Bilateral quotas are available for Yugoslavia, Argentina and certain other countries.</td>
</tr>
</tbody>
</table>

Relaxation area includes, sterling area, OEEC countries and all countries other than those of the dollar area, Eastern Europe, Japan, North Korea and Vietnam.
Canned apples
Sterling area Open General Licence.
Global quota for dollar and relaxation area countries (except Yugoslavia and Argentina) of £800,000 for the period 1 July 1959 - 30 June 1960.

Whole hams
Sterling area Open General Licence.

**All** other foodstuffs may be imported freely from the relaxation area.

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**Flower bulbs**
Imports from sources other than sterling area and Canada are restricted. Quotas are fixed for imports from non-dollar supplying countries by negotiation with those countries. The current quotas total £3,931,500.

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**Herbage seeds**
Qualitative control maintained pending United Kingdom legislation.

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**(ii) Commodities in addition to those listed in (i) above subject to quantitative restrictions from the dollar area**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Quota</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter</td>
<td>No quota</td>
<td></td>
</tr>
<tr>
<td>Fish, fresh, chilled or frozen</td>
<td>No quota</td>
<td></td>
</tr>
<tr>
<td>Meat 1 (including offals but excluding bladders and casings) and preparations containing meat, the following:</td>
<td>No quota</td>
<td></td>
</tr>
<tr>
<td>Fresh, chilled or frozen (other than beef tongues). Dried, salted, smoked, cooked or pickled. Meat in airtight containers. Preparations containing meat, other than soups.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bananas</td>
<td>Quota of £250,000</td>
<td>1 Oct. 1959 - 30 Sept. 1960</td>
</tr>
<tr>
<td>Fresh citrus fruit</td>
<td>Quota of £1,150,000</td>
<td>1 Oct. 1959 - 30 Sept. 1960</td>
</tr>
<tr>
<td>Canned grapefruit</td>
<td>Quota of £450,000</td>
<td>1 Oct. 1959 - 30 Sept. 1960</td>
</tr>
<tr>
<td>Canned pineapple</td>
<td>Quota of £125,000</td>
<td>1 Feb. 1959 - 31 Jan. 1960</td>
</tr>
</tbody>
</table>

1/But see A above for commodities for which support measures are in force.
Other canned fruit  Quota of £3,200,000  1 Sept. 1959 - 30 Aug. 1960
Dried fruit  Quota of £3,300,000  1 Sept. 1959 - 30 Aug. 1960
Fruit juices  Quota of £3,300,000  1 Oct. 1959 - 30 Sept. 1960

(iii) Commodities in addition to those listed in (i) above subject to quantitative restriction from Japan

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Licensing arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fish, canned, other than canned salmon or salmon trout</td>
<td>Open Individual Licence for canned crab. Quotas 1 April 1959/31 March 1960. Canned tuna £390,000 c.i.f. Canned pilchards £30,000 c.i.f.</td>
</tr>
<tr>
<td>Oysters</td>
<td>No quota</td>
</tr>
<tr>
<td>Fruit and fruit products, the following</td>
<td>Open Individual Licence for canned mandarins. Quota 1 April 1959/31 March 1960 £170,000 c.i.f. for canned apples, apricots, loquats, peaches, pears and fruit salad grown and packed in Japan.</td>
</tr>
<tr>
<td>Bananas, dried</td>
<td></td>
</tr>
<tr>
<td>Citrus fruit, fresh</td>
<td></td>
</tr>
<tr>
<td>Fruit, bottled or canned, other than pineapple grown and bottled or canned in Japan.</td>
<td></td>
</tr>
<tr>
<td>Fruit juices and preparations containing fruit juices.</td>
<td></td>
</tr>
<tr>
<td>Fruit preserved in sulphur dioxide solution, other than cherries, pineapple and mango pulp in cask.</td>
<td></td>
</tr>
<tr>
<td>Fruit pulp, other than pineapple pulp.</td>
<td></td>
</tr>
<tr>
<td>Pineapple dried</td>
<td></td>
</tr>
<tr>
<td>Cream, fresh, frozen, evaporated, No quota condensed, dried or otherwise preserved.</td>
<td></td>
</tr>
<tr>
<td>Hams, whole, preserved in air-tight containers.</td>
<td>No quota</td>
</tr>
</tbody>
</table>

All other foodstuffs may be imported without restriction from Japan.
Commodities subject to quantitative restriction from the eastern area

The following commodities may be imported without restriction -

Animal feeding stuffs
Bladders and casings
Cereals
Cocoa, raw and cocoa butter
Dried beans and peas
Fats, greases and oils other than butter
Glucose
Hops and hop extracts
Malt
Molasses containing not more than 60 per cent sweetening matter
Spices
Starches and starch preparations not containing added sweetening matter
Tea
Whisky
Yeast

There are bilateral quotas fixed by negotiation with individual countries covering a wide range of foodstuffs including bacon, canned ham, butter, fruit and vegetables.

VI.

MEASURES WHICH TEND TO REDUCE OR REMOVE THE NEED FOR NON-TARIFF MEASURES OF PROTECTION OR SUPPORT

28. As stated in paragraph 5 of Part I above, the main objective of the United Kingdom Government's production and guarantee policy for agriculture is that production should be more economic and the industry's competitive position improved. The need for the agricultural industry to become less dependent on Exchequer support is a major consideration to which the Government has regard at the Annual Review. Particular emphasis is put on the need to reduce unit costs of production by adopting improved techniques and better farm management. The various production grant schemes referred to in paragraphs 20-22 above are designed to promote development along these lines. Moreover, the fact that the industry's efficiency is increasing year by year is taken into account when the total level of support to the industry and the guaranteed prices for commodities are being determined in the light of the Annual Review.